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C O N F I D E N T I A L WARSAW 001520

SIPDIS

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E.O. 12958: DECL: 03/17/2015

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SUBJECT: POLAND SUBMITS DETAILS OF IRAQ'S DEBT

REF: WARSAW 797

Classified By: Classified by DCM Cameron Munter; reasons 1.5b and d.

1. (C) The Iraqi Embassy in Warsaw provided us with a copy of a letter Finance Minister Gronicki sent to his Iraqi counterpart, Adil Abdul Mahdi, detailing Iraq's outstanding debt to Poland. According to the Ministry of Finance (MOF), Iraq owes Poland USDOLS 786,225,209.93 (including USDOLS 309,570,799.67 in interest). MOF broke the total down into eight separate loans concluded between 1972 and 1990, all held by the Ministry of Finance, six of which are commodity credits, and two of which are rescheduling credits.

2. (C) The Iraqi Ambassador confirmed that he has received no instructions to approach the Polish government on this issue. He does not expect to receive any until after a new government in Baghdad is formed.

3. (C) U/S Wieslaw Szczuka told Econoff on March 15 that the Polish government is still considering its options, and has made no final decision on how to treat its Iraqi debt. Minister Gronicki and other MOF officials have earlier noted that Poland would likely follow Paris Club consensus and forgive 80 percent of the outstanding debt, although PM Belka will have to make the final decision.

4. (C) Comment: We are optimistic that the Polish government will make a decision on how to handle the outstanding Iraqi debt before it leaves office later this year. It fits in with this government's broader policy of resolving as many pending transition issues as possible. Before Finance is prepared to take this decision to PM Belka, however, we believe the Ministry is waiting on three issues to be resolved. First, Finance is focused on finalizing early repayment of Poland's outstanding Paris Club debt, which it hopes to complete by March 31. Second, should Poland agree to forgive 80 percent, GOP officials are still debating how best to use the remaining 20 percent of the outstanding debt. Resolving this issue will depend in part on the third item, which is the formation of a new Iraqi government. An active approach by a friendly new Iraqi government is likely to influence the GOP's ultimate decisions.
Munter

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2005WARSAW01520 - Classification: CONFIDENTIAL